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SIPDIS

TREASURY FOR MEWENS
USTIR FOR BENNETT HARMAN

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SUBJECT: ECUADOR ON CAN-EU TALKS AND ITS NEIGHBORS' FTAS

REF: STATE 84489

Classified By: Ambassador Heather Hodeges, Reasons 1.4 (b) and (d).

¶1. (C) Summary. Ecuador supported an Andean Community (CAN) waiver so that Peru could implement its free trade agreement with the U.S. after President Correa determined that Ecuador would not impede its neighbors' FTAs. Ecuador is frustrated with Bolivia's intransigence in the CAN, both its opposition to Peru's waiver request and its blocking a common CAN position for trade talks with the European Union. The GOE as a whole has not established its position on the CAN-EU talks, but the Foreign Ministry would like Ecuador to join Colombia and Peru in pursuing a free trade agreement with the EU. End summary.

¶2. (C) Econoffs met on August 18 with Mentor Villagomez, Under Secretary for Commercial Affairs at the Foreign Ministry, to review the status of the stalled trade negotiations between the Andean Community (CAN) and European Union (EU), per reftel. In a wide-ranging discussion, Villagomez provided insights into the GOE's views of free trade agreements signed by its regional partners, internal GOE decision-making, its frustration with Bolivia's recalcitrance on regional trade issues, and possible ways forward for the CAN-EU discussions.

¶3. (SBU) Villagomez reported that he had returned from CAN discussions in Lima the week before that had addressed two issues: first, a Peruvian request for a waiver to the CAN IPR agreement so it could implement the U.S.-Peru Trade Promotion Agreement, and second, the CAN's position towards the EU.

Ecuador Won't Block FTAs

¶4. (C) Villagomez said that on the first issue, Ecuador and Colombia supported Peru's request, while Bolivia voted against it. He added that before the CAN meeting, Ecuador's position on this matter was decided by President Correa, who instructed that Ecuador should not take a position that would impede free trade agreements signed by its regional partners.

Frustration with Bolivia

¶5. (C) Villagomez said that in voting against Peru's request, which addressed the CAN's rules on patentability of genetic and biological resources, Bolivia argued that "you can't patent life." Villagomez opined that Bolivia really didn't understand the issue on which it was being asked to vote, noting that important issues related to the

patentability of biological resources and traditional knowledge are being addressed in the WTO.

Bolivia Blocks CAN Position on the EU Talks

¶16. (C) Villagomez continued that the intra-CAN discussions to establish a common position towards the EU followed the difficult debate on Peru's IPR request, which established a negative environment for the subsequent discussions. He said that on one issue, the speed at which the services sectors would be opened, Ecuador sought a go-slow approach while Peru and Colombia are willing to open their services sectors immediately. He argued that Ecuador's approach should have been appealing to Bolivia, but it was unwilling to even accept Ecuador's proposal.

¶17. (C) Villagomez suggested that Bolivia also obstructed any intra-CAN position on IPR or the EU's sustainable development model, which would include requirements for labor and environmental protection. He added that Ecuador also opposes the EU's labor and environmental proposals in the context of a free trade agreement, since they require adherence and compliance with a number of international conventions. However, Ecuador is willing to look for ways to work with the EU proposal.

¶18. (C) Villagomez said that currently the CAN is blocked from going forward as a group with its EU negotiations. The next step is a CAN ministerial meeting the week of September 1, but since Bolivia indicated that it does not have any flexibility in its position, he does not expect any progress at that meeting towards a common CAN position.

Options Going Forward

¶19. (C) In spite of his frustration with the Bolivian stance, Villagomez outlined two options for the EU/CAN talks to go forward. One option would be for the CAN as a whole to continue to negotiate as a group, with some countries (Bolivia, and perhaps Ecuador) opting out of the trade pillar but participating in the political and cooperation pillars. This option would allow the laggard(s) to opt into the trade pillar at a later date.

¶110. (C) The second option would be for individual Andean countries to pursue "bilateral" free trade agreements with the EU. According to Villagomez, the EU still prefers to negotiate with the CAN as a bloc, but had recently indicated it is willing to pursue agreements with individual countries. Villagomez opined that if Peru and Colombia pursued such an approach, Ecuador would not object, citing the Presidential decision not to block others' FTAs (para 4).

Ecuador's Position Still Undefined

¶111. (C) Villagomez said that Ecuador would define its policy towards the EU talks by the end of August. He said that he will propose to Ecuador's Council on Foreign Trade (COMEXI) that Ecuador join Colombia and Peru under either option) either join the trade pillar in a comprehensive EU-CAN agreement, or seek a bilateral trade agreement.

¶112. (C) Counting up possible votes in COMEXI, Villagomez said that he expects both the Ministry of Industries and Ministry of Agriculture to join the Foreign Ministry. He said that in the past he could also count on support from the Ministry of Finance, but with recent changes at that Ministry he was not certain. However, if Finance supports the MFA proposal, the four votes would give the MFA proposal a majority. (Note: Villagomez did not identify possible opposition, but Pedro Paez, the Coordinating Minister for Economic Policy and President of COMEXI, opposes some provisions that the EU requires in its trade agreement. The other member of the council is the Ministry of Tourism. Private sector chambers had participated on the COMEXI board,

but were removed in July following a court decision.)

Comment

¶13. (C) Villagomez was clearly frustrated with Bolivia's intransigence. While Ecuador sees itself as a bridge between Colombia and Peru on the one side, and Bolivia on the other, Villagomez said that Ecuador's trade interests are more closely allied with Colombia and Peru. It was clear that he (and presumably the MFA) wants to move forward with free trade talks with the EU, although there is opposition within the GOE. While Villagomez outlined a strategy focused on the COMEXI, we expect that President Correa will make any final decision on whether Ecuador goes forward with trade talks with the EU.

¶14. (C) Correa's decision to support Peru's request for a CAN waiver so it can implement its FTA with the U.S. provides a bit of insight into his thought process. He does not favor an FTA between Ecuador and the U.S., but he does not want to stand in the way of a Peru-U.S. FTA.

Hodges